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THE AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

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B&E

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In January, hogs came close to joining the list of commodities for which prices are being supported by Government purchase programs.

During most of the month, prices of hogs in the 7 important markets were near the weekly support guides. Although USDA announced on January 17 that it would buy certain pork products in an effort to hold prices at 90 percent of parity, no purchases had been made through January.

Hogs were among the commodities for which price support has been mandatory since 1942. Only limited amounts of purchases have been made, however, all of them during the war. Under Agricultural Act of 1949, support for hogs is permissive at any level from 0 to 90 percent of parity.

Marketing of hogs will fall off considerably in the next month or two. The seasonal rise in prices is likely to be fairly rapid. Support levels also will increase until March when present program expires. No new program has been announced.

In mid-January, average farm prices for hogs was \$15.10, one-fourth below a year earlier.

Generally, there has been little change in the economic situation in the last few weeks. The flow of income is increasing as employment and business activity continue at high levels. Output of steel and automobiles was at near record rates, in mid-January, although work stoppages reduced activity later in the month. Prices in farm, wholesale and retail markets remain generally stable.

The budget presented to Congress by the President for Fiscal Year 1951 calls for 42.4 billion dollars, a 900 million dollar reduction from estimated expenditures for current fiscal year.

Enough figures are now available to give a pretty good picture of what happened to the U. S. economy last year. Overall, the change from the 1948 peak was slight. The value of all goods and services produced last year amounted to 258.7 billion dollars, only $1\frac{1}{2}$ percent below 1948.

Among the measures of economic activity, those for agriculture showed largest drops.

Consumer income amounted to only slightly less than in 1948. Because of income tax reduction, consumers actually had a little more to spend. For farmers though, the income picture was not so bright. Realized net income of farm operators dropped off about 15 percent from 1948.

Industry produced about 8 percent less goods than in 1948. New construction continued a bright spot in the business picture. The value of new building begun reached a record 19.3 billion dollars, 3 percent more than a year earlier. Employment averaged 58.7 million in 1949, 700,000 less than the year before.

Price trends pointed generally downward last year. Prices farmers receive led the way, averaging 13 percent below 1948. Wholesale prices were down 6 percent. Living costs of urban consumers stayed about 1 percent below 1948. Prices paid by farmers for both family living and production items averaged about 3 percent below a year earlier.

The U. S. exported an estimated 15.8 billion dollars worth of goods and services in 1949, about a billion less than in 1948. Most of the drop occurred in the second half of the year.

LIVESTOCK AND MEAT Spread between prices of prime and choice steers and lower grades has been unusually wide recently, mainly because of small supply of well-finished cattle on market. Later in feeding season, spread is likely to narrow as supply of better grade steers increases and prices decline seasonally.

The record 4,552,000 head of cattle on feed for market January 1 was 22,000 more than a year earlier. All of increase over last year was in Corn Belt States and Texas. Cattle on feed averaged lighter than last year; feeders report they intend to market them later than in 1949.

DAIRY PRODUCTS Support prices for various manufactured dairy products are about same as in 1949. Program will prevent prices received by farmers for manufacturing milk and butterfat from declining significantly in 1950; also will tend to support prices for milk sold for fluid use.

Number of cows will be stable, or may increase, during 1950. Milk output probably will exceed that of 1949. With fluid milk consumption expected to change little, increase will go mainly into manufactured products.

POULTRY AND EGGS In mid-January, prices of eggs were the lowest since the spring of 1946; chickens the lowest since the fall of 1942; turkeys the lowest since the summer of 1947. Supplies of all three products are large: so are supplies of competing commodities such as pork.

A substantial quantity of dried eggs was offered to Department of Agriculture in January, despite the fact that the support level for eggs is about 20 percent below 1949. With egg production increasing seasonally in next 3 or 4 months, prices are not likely to change much in that time.

Storage stocks of chicken were much larger at the beginning of the year than a year ago. Marketings of farm chickens have passed seasonal peak but sales of broilers are likely to continue large in next few months. Total supplies probably will prevent much of a price increase in next few months.

Turkey growers report that they intend to raise 1 percent more birds than in 1949. If their intentions are carried out, 1950 crop will be 5 percent below 1945 record but 13 percent above 1942-46 average.

FATS AND OILS Fractional advances characterized market for most fats and oils in January. Exceptions were butter and edible olive oil which declined.

We imported more fats and oils in November than in any other month since December 1948. Exports in November were large though well under the unusually high rate of January-July 1949.

FEED GRAINS Domestic disappearance of corn during October-December was about the heaviest on record for the quarter. But stocks January 1 totaled nearly 2,830 million bushels, the highest on record. Stocks of corn, oats, barley were 97.9 million tons, 3 percent larger than the record of a year earlier.

Feed grain prices in January were near December levels but were 7 percent below a year earlier.

WHEAT Stocks of wheat on January 1 totaled 908 million bushels, larger than for any other January 1 since 1943. Large quantities of wheat are under loan and selling by growers has been light so far this season. Exports have been running considerably lower than a year earlier. Cash wheat prices generally continue at or slightly below loan levels.

FRUITS AND VEGETABLES Growers' prices for oranges in January rose above the levels of a year ago; further increases are expected in coming months. Factors in the price advance include strong demand from canners and packers, the January freeze damage in California and Arizona, the Government export payment program.

Grapefruit prices, which have been running well above a year earlier, will stay high this winter. Supplies remaining to be marketed after January 21 were moderately smaller than last year.

Total production of 18 fresh vegetable crops for winter season harvest is expected to be 14 percent larger than last winter and 29 percent larger than the 1939-48 average. This probably means lower average prices than a year ago.

Unusually large stocks of several canned vegetables probably will result in a weaker processor demand for acreage to be planted to vegetables for processing than last year.

Stocks of potatoes on January 1 were heavy and marketings will have to be large to clear the crop before new potatoes begin moving in volume in late May. Support purchases are expected to be heavy in the next few months.

COTTON Consumption of cotton by domestic mills in the first 5 months of the current season ran a little above the same period of 1948-49. Through the first 4 months, exports totaled 28 percent higher than a year earlier.

So far, devaluation of many foreign currencies last fall has had little effect on either our imports or our exports of cotton textiles. If this continues to be the case, domestic mill consumption probably will not fall below current levels for some time. Domestic mills generally are booked several months ahead. Some decline in exports is likely as the season progresses.

In mid-January, average prices of most qualities of cotton in 10 spot markets were above those of August 1.

TOBACCO Auction prices for burley tobacco have been well above support levels though the trend was downward during most of January. Quantities going under Government loan have been less than last season.